

Emery Town
Emery County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Emery Town
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June 30, 2006

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Kimball & Roberts

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Emery Town
Emery, Utah 84522

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Emery Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Emery Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2006, on our consideration of Emery Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 1, 2006
Richfield, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Emery Town
Management's Discussion and Analysis
June 30, 2006

As management of Emery Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- *Total net assets for the Town as a whole increased by \$229,442.
- *Total unrestricted net assets for the Town as a whole decreased by \$77,032.
- *Total net assets for governmental activities decreased by \$52,385.
- *Total net assets for business-type activities increased by \$281,827.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Emery Town. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Emery Town
Management's Discussion and Analysis
June 30, 2006

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Emery Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's general fund is its only major governmental fund. The perpetual care fund is reported as non-major.

The Town adopts an annual appropriated budget for its general and perpetual care funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. Emery Town maintains an enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its public utility activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is reported as a major fund.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

Emery Town
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS

Emery Town's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$128,014	171,602	184,752	356,024	312,766	527,626
Capital assets	<u>686,629</u>	<u>670,749</u>	<u>1,121,022</u>	<u>844,096</u>	<u>1,807,651</u>	<u>1,514,844</u>
Total assets	<u>814,642</u>	<u>842,351</u>	<u>1,305,774</u>	<u>1,200,119</u>	<u>2,120,416</u>	<u>2,042,470</u>
Long-term liabilities			54,762	62,843	54,762	62,843
Other liabilities	<u>41,162</u>	<u>16,486</u>	<u>2,832</u>	<u>170,923</u>	<u>43,995</u>	<u>187,409</u>
Total liabilities	<u>41,162</u>	<u>16,486</u>	<u>57,594</u>	<u>233,766</u>	<u>98,757</u>	<u>250,252</u>
Net assets:						
Invested in net assets, net of debt	686,629	670,749	1,066,260	781,253	1,752,889	1,452,001
Restricted	107,900	100,000	7,216	9,530	115,116	109,530
Unrestricted	<u>(21,049)</u>	<u>55,116</u>	<u>174,704</u>	<u>175,571</u>	<u>153,655</u>	<u>230,687</u>
Total net assets	<u>\$773,480</u>	<u>825,865</u>	<u>1,248,180</u>	<u>966,353</u>	<u>2,021,660</u>	<u>1,792,218</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$2,021,660, an increase from the previous year of \$229,442. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$153,655, which represents a decrease of \$77,032 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Emery Town
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS (continued)

Emery Town's Changes in Net Assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Program revenues:						
Charges for services	20,984	23,332	77,527	73,570	98,511	96,902
Operating grants	32,871	28,161			32,871	28,161
Capital grants	-	20,463	302,604	179,780	302,604	200,243
General revenues:						
Property taxes	17,945	22,924	-	-	17,945	22,924
Sales tax	25,648	31,155	-	-	25,648	31,155
Other taxes	8,183	7,900	-	-	8,183	7,900
Other revenues	<u>30,140</u>	<u>6,224</u>	<u>2,818</u>	<u>1,569</u>	<u>32,958</u>	<u>7,793</u>
Total revenues	<u>135,771</u>	<u>140,159</u>	<u>382,949</u>	<u>254,919</u>	<u>518,720</u>	<u>395,078</u>
Expenses:						
Administration	48,552	44,197	-	-	48,552	44,197
Public safety - fire	8,878	8,798	-	-	8,878	8,798
Streets and highways	99,002	95,647	-	-	99,002	95,647
Cemetery	5,776	1,955	-	-	5,776	1,955
Parks and recreation	25,948	7,708	-	-	25,948	7,708
Public utilities	-	-	<u>101,123</u>	<u>82,718</u>	<u>101,123</u>	<u>82,718</u>
Total expenses	<u>188,156</u>	<u>158,305</u>	<u>101,123</u>	<u>82,718</u>	<u>289,279</u>	<u>241,023</u>
Excess (deficiency) before transfers	(52,385)	(18,146)	281,827	172,200	229,442	154,055
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>(52,385)</u>	<u>(18,146)</u>	<u>281,827</u>	<u>172,200</u>	<u>229,442</u>	<u>154,055</u>

Total revenues increased by \$123,642, while total expenses increased by \$48,255. The total net increase for the year of \$229,442 is an increase from the previous year of \$75,387.

Governmental activities revenues of \$135,771 is a decrease of \$4,389 from the previous year. Governmental activities expenses of \$188,156 is an increase of \$29,851 from the previous year. This is a result of an increase parks and cemetery expenses.

Business-type activities revenue of \$382,949 is an increase of \$128,031 from the previous year. This is a result of an increase in capital grants received during the year. Business-type activities expenses of \$101,123 is an increase of \$18,404 from the previous year. This is primarily a result of water and sewer maintenance.

Emery Town
Management's Discussion and Analysis
June 30, 2006

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

General Fund

The fund balance in the general fund of \$51,665 reflects a decrease of \$72,471 from the previous year. Total revenues decreased by \$7,209. Tax revenues, including property taxes and sales taxes changed by \$10,204. Intergovernmental revenues decreased by \$14,907. All other revenues excluding transfers increased by \$17,902.

Total expenditures increased by \$90,543. Expenditure changes, by department, excluding capital outlay: administrative increased by \$4,355, public safety (fire department) increased by \$80, streets and highways increased by \$1,812, and parks and recreation increased by \$21,268. Total expenditures for capital outlay for all departments increased by \$63,028.

The amount reserved at the end of the year for Class C roads amounts to \$107,900, which is an increase of \$7,900 from the previous year end.

Utility Fund

Net decrease before contributions and transfers was \$20,778. Total expenses increased by \$18,404 from the previous year. Grant revenues totaling \$302,604 were received during the year, resulting in a net change in net assets of \$281,827. Net assets restricted for bond payments amount to \$7,216. Net assets unrestricted amounted to 174,704.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$160,462. This amount was changed in the final budget to \$187,624 to reflect a decrease in the amount of expected property and sales taxes, as well as a state grant for park improvement.

Expenditures for the current year, including transfers, were originally budgeted in the amount of \$203,750. This amount was amended in the final budget to \$187,624 as a result of the expected increase in park improvement expenditures.

Emery Town
Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION

Emery Town's Capital Assets (net of depreciation):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
Net Capital Assets:						
Land and water rights	\$ 35,338	35,338	53,400	53,400	88,738	88,738
Buildings	71,787	75,219	-	-	71,787	75,219
Improvements other than buildings	32,364	33,261	-	-	32,364	33,261
Equipment	32,347	23,381	-	-	32,347	23,381
Water and sewer systems	-	-	1,067,622	595,404	1,067,622	595,404
Infrastructure	440,606	503,549	-	-	440,606	503,549
Work in progress	74,187	-	-	195,291	74,187	195,291
Totals	<u>\$686,629</u>	<u>670,749</u>	<u>1,121,022</u>	<u>844,096</u>	<u>1,807,651</u>	<u>1,514,844</u>

The total amount of capital assets, net of depreciation, of \$1,807,651 is an increase of \$292,807 from the previous year.

Governmental activities capital assets, net of depreciation, of \$686,629 is an increase of \$15,880 from the previous year. Construction of a recreation center was begun during the year. At the close of the year, \$74,187 had been expended on this project. It is expected to be completed during the ensuing year.

Business-type activities capital assets, net of depreciation, of \$1,121,022 is an increase of \$276,926 from the previous year. A catch basin project was completed during the year at a total cost of \$497,896.

Additional information regarding capital assets may be found in the notes to financial statements.

Emery Town
Management's Discussion and Analysis
June 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Emery Town's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Business-type activities:		
Water bond	\$ -	3,364
Sewer bond	<u>54,762</u>	<u>59,479</u>
Total outstanding debt	<u>\$54,762</u>	<u>62,843</u>

The Town has no governmental activity long-term debt. Principal paid on business-type obligations, in the amount of \$8,081, is the difference in the debt from the previous year. The water bond was completely paid off during the year.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect Emery Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

Also, no change in any rates is expected during the next year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Emery Town finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Emery Town Clerk, 15 South Center, Emery, UT 84522.

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BASIC FINANCIAL STATEMENTS

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Emery Town
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$105,267	166,320	271,587
Accounts receivable	22,746	10,026	32,772
Other assets	-	-	-
Total current assets	<u>128,014</u>	<u>176,346</u>	<u>304,360</u>
Non-current assets:			
Restricted cash and cash equivalents	-	8,406	8,406
Capital assets:			
Not being depreciated	109,525	53,400	162,925
Net of accumulated depreciation	<u>577,103</u>	<u>1,067,622</u>	<u>1,644,725</u>
Total non-current assets	<u>686,629</u>	<u>1,129,428</u>	<u>1,816,057</u>
Total assets	<u>\$814,642</u>	<u>1,305,774</u>	<u>2,120,416</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 30,670	1,642	32,313
Customer security deposits	-	1,190	1,190
Deferred revenues	10,492	-	10,492
Revenue bonds due within one year	<u>-</u>	<u>4,959</u>	<u>4,959</u>
Total current liabilities	<u>41,162</u>	<u>7,791</u>	<u>48,954</u>
Non-current liabilities:			
Revenue bonds due after one year	<u>-</u>	<u>49,803</u>	<u>49,803</u>
Total non-current liabilities	<u>-</u>	<u>49,803</u>	<u>49,803</u>
Total liabilities	<u>41,162</u>	<u>57,594</u>	<u>98,757</u>
NET ASSETS:			
Invested in capital assets, net of related debt:	686,629	1,066,260	1,752,889
Restricted:			
Debt service requirements	-	7,216	7,216
Class C roads	107,900	-	107,900
Unrestricted	<u>(21,049)</u>	<u>174,704</u>	<u>153,655</u>
Total net assets	<u>773,480</u>	<u>1,248,180</u>	<u>2,021,660</u>
Total liabilities and net assets	<u>\$814,642</u>	<u>1,305,774</u>	<u>2,120,416</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
Primary government:					
Governmental activities:					
Administration	\$ 48,552	16,544	-	-	(32,008)
Public safety - fire	8,878	-	112	-	(8,766)
Streets and highways	99,002	-	32,759	-	(66,243)
Cemetery	5,776	4,440	-	-	(1,336)
Parks and recreation	<u>24,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,301)</u>
Total governmental activities	<u>188,156</u>	<u>20,984</u>	<u>32,871</u>	<u>-</u>	<u>(134,300)</u>
Business-type activities:					
Public utilities	<u>101,123</u>	<u>77,527</u>	<u>-</u>	<u>302,604</u>	<u>279,008</u>
Total business-type activities	<u>101,123</u>	<u>77,527</u>	<u>-</u>	<u>302,604</u>	<u>279,008</u>
Total primary government	<u>\$289,279</u>	<u>98,511</u>	<u>32,871</u>	<u>302,604</u>	<u>144,708</u>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
CHANGE IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$(134,300)</u>	<u>279,008</u>	<u>144,708</u>
General revenues:			
Property taxes	17,945	-	17,945
Energy taxes	8,183	-	8,183
Sales taxes	25,648	-	25,648
Unrestricted investment earnings	7,738	2,818	10,557
Miscellaneous	<u>22,401</u>	<u>-</u>	<u>22,401</u>
Total general revenues	<u>81,915</u>	<u>2,818</u>	<u>84,733</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>81,915</u>	<u>2,818</u>	<u>84,733</u>
Change in net assets	<u>(52,385)</u>	<u>281,827</u>	<u>229,442</u>
Net assets - beginning	<u>825,865</u>	<u>966,353</u>	<u>1,792,218</u>
Net assets - ending	<u>\$773,480</u>	<u>1,248,180</u>	<u>2,021,660</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$70,081	35,186	105,267
Due from other governments	11,118	-	11,118
Property taxes receivable	11,628	-	11,628
Total assets	<u>92,828</u>	<u>35,186</u>	<u>128,014</u>
LIABILITIES			
Accounts payable & accrued liabilities	30,670	-	30,670
Deferred revenue	10,492	-	10,492
Total liabilities	<u>41,162</u>	<u>-</u>	<u>41,162</u>
FUND BALANCES			
Reserved for:			
Class C roads	107,900	-	107,900
Unreserved, reported in:			
General Fund	(56,235)	-	(56,235)
Perpetual care	-	35,186	35,186
Total fund balances	<u>51,665</u>	<u>35,186</u>	<u>86,851</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$92,828</u>	<u>35,186</u>	<u>128,014</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$ 17,945	-	17,945
Sales	25,648	-	25,648
Energy	8,183	-	8,183
Licenses and permits	1,552	-	1,552
Intergovernmental	32,871	-	32,871
Charges for services	16,297	3,135	19,432
Interest income	6,667	1,071	7,738
Miscellaneous revenue	<u>22,401</u>	<u>-</u>	<u>22,401</u>
Total revenues	<u>131,565</u>	<u>4,206</u>	<u>135,771</u>
EXPENDITURES:			
General government	47,002	-	47,002
Public safety	6,995	-	6,995
Highways and public works	32,466	-	32,466
Parks and recreation	25,641	-	25,641
Economic development	1,647	-	1,647
Capital outlay	<u>90,284</u>	<u>-</u>	<u>90,284</u>
Total expenditures	<u>204,036</u>	<u>-</u>	<u>204,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,471)</u>	<u>4,206</u>	<u>(68,265)</u>
Other Financing Sources and (Uses):			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(72,471)	4,206	(68,265)
Fund Balances - beginning of year	<u>124,136</u>	<u>30,980</u>	<u>155,116</u>
Fund Balances - end of year	<u>\$ 51,665</u>	<u>35,186</u>	<u>86,851</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2006

Total Fund Balances for Governmental Funds	\$ <u>86,851</u>
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Total net assets reported for governmental activities in the statement
are different because:

Capital assets used in governmental funds are not financial resources and
therefore are not reported in the funds.

Capital assets, at cost	1,662,554
Less accumulated depreciation	<u>(975,925)</u>
Net capital assets	<u>686,629</u>

Total Net Assets of Governmental Activities	\$ <u>773,480</u>
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The notes to the financial statements are an integral part of this statement.

Emery Town
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	<u>\$(68,265)</u>
---	--------------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	90,284
Depreciation expense	<u>(74,404)</u>
Net	<u>15,880</u>

Change in Net Assets of Governmental Activities	<u>\$(52,385)</u>
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The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Public Utilities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 166,320
Accounts receivable	10,026
Total current assets	<u>176,346</u>
Non-current assets:	
Restricted cash and cash equivalents	8,406
Capital assets:	
Not being depreciated	53,400
Net of accumulated depreciation	<u>1,067,622</u>
Total non-current assets	<u>1,129,428</u>
TOTAL ASSETS	<u>\$1,305,774</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,642
Customer deposits	1,190
Bonds payable, current	<u>4,959</u>
Total current liabilities	<u>7,791</u>
Non-current liabilities:	
Bonds payable, due after one year	<u>49,803</u>
Total non-current liabilities	<u>49,803</u>
TOTAL LIABILITIES	<u>57,594</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,024,863
Restricted	7,216
Unrestricted	<u>216,101</u>
TOTAL NET ASSETS	<u>1,248,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,305,774</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

Business-type Activities - Enterprise Funds

	<u>Public Utilities</u>
OPERATING INCOME:	
Water	\$ 29,273
Sewer	17,311
Irrigation	9,732
Garbage	14,867
Other	6,344
Total operating income	<u>77,527</u>
OPERATING EXPENSE:	
Salaries and wages	20,945
Employee benefits	8,018
Water services	16,551
Sewer services	10,130
Irrigation services	914
Garbage services	13,933
Other costs	1,960
Depreciation	25,678
Total operating expense	<u>98,130</u>
Operating income (expense)	<u>(20,603)</u>
Non-operating revenues (expenses):	
Interest revenue	2,818
Interest expense	(2,993)
Total non-operating revenues (expenses)	<u>(175)</u>
Income (loss) before contributions and transfers	<u>(20,778)</u>
Capital contributions	302,604
Transfers	—
Change in net assets	281,827
Total net assets - beginning	<u>966,353</u>
Total net assets - ending	<u>\$1,248,180</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ending June 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Public Utilities</u>
Cash flows from operating activities:	
Cash received from customers - service	\$ 78,978
Cash paid suppliers	(65,939)
Cash paid to employees	(7,324)
Net cash provided (used) in operating activities	<u>5,715</u>
Cash flows from noncapital financing activities:	
Change in customer deposits	<u>120</u>
Net cash provided (used) in noncapital financing activities	<u>120</u>
Cash flows from capital and related financing activities:	
Cash received from capital grants	469,970
Cash payments for construction and acquisition of plant	(469,970)
Cash payments for long-term debt principal	(8,081)
Cash payments for long-term debt interest	(2,993)
Net cash provided (used) in capital and related financing activities	<u>(11,074)</u>
Cash flows from investing activities:	
Cash received from interest earned	<u>2,818</u>
Net cash provided (used) in investing activities	<u>2,818</u>
Net increase (decrease) in cash	(2,421)
Cash balance, beginning	<u>177,147</u>
Cash balance, ending	<u>174,726</u>
Cash reported on the balance sheet:	
Cash and cash equivalents	166,320
Non-current restricted cash	<u>8,406</u>
Total cash and cash equivalents	<u>\$174,726</u>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Emery Town
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the year ended June 30, 2006

**Reconciliation of Operating Income
to Net Cash Provided from Operating Activity:**

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Public Utilities</u>
Net operating income (expense)	\$(20,603)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities	
Depreciation and amortization	25,678
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,451
(Increase) decrease in prepaid expense	34
Increase (decrease) in accounts payable	<u>(845)</u>
Net cash provided in operating activity	\$ <u>5,715</u>

The notes to the financial statements are an integral part of this statement.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Emery Town, (the Town) is a municipal corporation located in Emery County, Utah, and operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation
(continued)**

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following non-major governmental funds:

The *cemetery perpetual care fund* accounts for revenues and expenditures of the Town's cemetery activities.

Proprietary funds

The Town reports the following major proprietary funds:

The *public utilities fund* is used to account for the activities regarding culinary water distribution and the sewer system.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-2. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. All receivables are considered collectible. No allowance accounts are maintained. Property tax and intergovernmental receivables considered collectible.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the Town by Emery County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	35
Infrastructure	30
Machinery and equipment	5-20
Vehicles	5-10

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-8. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

None of the Town's funds have deficit balances.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	-
Demand deposits - checking	\$ 62,325
Savings	26,449
Investments - PTIF	<u>191,219</u>
Total cash and investments	<u>\$279,993</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$271,587
Restricted cash and cash equivalents (non-current)	<u>8,406</u>
Total cash and cash equivalents	<u>\$279,993</u>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. Maturities of investments in the PTIF is less than one year and the balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF and FDIC insured bank savings accounts.

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand and savings deposits are covered by FDIC or NCUSIF insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the Town's policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

Accounts not expected to be collected within one year, if significant, are captioned as non-current receivables. Receivables as of year end for the Town's funds are as follows.

	General <u>Fund</u>	Public <u>Utilities</u>	Total <u>Receivables</u>
Property taxes	\$ 1,136	-	1,136
Property taxes - deferred	10,492	-	10,492
Intergovernmental	11,118	-	11,118
Customers - current	<u>-</u>	<u>10,026</u>	<u>10,026</u>
Total receivables	<u>\$22,746</u>	<u>10,026</u>	<u>32,772</u>

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and water rights	\$ 35,338	-	-	35,338
Construction in progress	<u>-</u>	<u>74,187</u>	<u>-</u>	<u>74,187</u>
Total capital assets, not being depreciated	<u>35,338</u>	<u>74,187</u>	<u>-</u>	<u>109,525</u>
Capital assets, being depreciated:				
Buildings	164,300	-	-	164,300
Improvements other than buildings	35,871	-	-	35,871
Machinery and equipment	77,886	16,097	-	93,983
Infrastructure	<u>1,258,875</u>	<u>-</u>	<u>-</u>	<u>1,258,875</u>
Total capital assets, being depreciated	<u>1,536,932</u>	<u>16,097</u>	<u>-</u>	<u>1,553,029</u>
Less accumulated depreciation for:				
Buildings	89,081	3,433	-	92,513
Improvements other than buildings	2,610	897	-	3,507
Machinery and equipment	54,505	7,131	-	61,636
Infrastructure	<u>755,326</u>	<u>62,944</u>	<u>-</u>	<u>818,269</u>
Total accumulated depreciation	<u>901,521</u>	<u>74,404</u>	<u>-</u>	<u>975,925</u>
Total capital assets being depreciated, net	<u>635,411</u>	<u>(58,307)</u>	<u>-</u>	<u>577,103</u>
Governmental activities capital assets, net	<u>\$670,749</u>	<u>15,880</u>	<u>-</u>	<u>686,629</u>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

Governmental Activities:	
General government	\$ 1,550
Public safety	1,883
Highways and public improvements	66,536
Parks, recreation and public property	<u>4,435</u>
Total	<u>\$74,404</u>

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-C. Capital assets (continued)

Capital asset activity for business-type activities was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 53,400	-	-	53,400
Construction in progress	<u>195,291</u>	<u>(195,291)</u>	-	-
Total capital assets, not being depreciated	<u>248,691</u>	<u>(195,291)</u>	-	<u>53,400</u>
Capital assets, being depreciated:				
Water system	837,688	-	-	837,688
Sewer system	<u>176,500</u>	<u>497,896</u>	-	<u>674,396</u>
Total capital assets being depreciated	<u>1,014,188</u>	<u>497,896</u>	-	<u>1,512,084</u>
Less accumulated depreciation for:				
Water system	345,916	16,754	-	362,670
Sewer system	<u>72,868</u>	<u>8,924</u>	-	<u>81,792</u>
Total accumulated depreciation	<u>418,784</u>	<u>25,678</u>	-	<u>444,462</u>
Total capital assets being depreciated, net	<u>595,404</u>	<u>472,218</u>	-	<u>1,067,622</u>
Business-type activities capital assets, net	<u>\$844,096</u>	<u>276,926</u>	-	<u>1,121,022</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-Type Activities:	
Utilities	<u>\$25,678</u>
Total	<u>\$25,678</u>

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3-D. Long-term debt

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2006</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>							
Water bond 1968	\$ 37,400	4.13	\$ 3,364	-	3,364	-	-
Sewer bond 1977	130,000	5.00	<u>59,479</u>	<u>-</u>	<u>4,717</u>	<u>54,762</u>	<u>4,959</u>
Total business-type activity long-term liabilities			<u>\$62,843</u>	<u>-</u>	<u>8,081</u>	<u>54,762</u>	<u>4,959</u>

All bonds are revenue bonds secured by the revenues of the water system. Bonds were issued to finance the construction of the water system and the sewer system.

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,959	2,625	7,584
2008	5,212	2,372	7,584
2009	5,479	2,105	7,584
2010	5,759	1,825	7,584
2011	6,054	1,530	7,584
2012-2016	<u>27,300</u>	<u>2,861</u>	<u>30,161</u>
Total	<u>\$54,762</u>	<u>13,318</u>	<u>68,081</u>

Emery Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-A. Employee pension and other benefit plans

Plan Description: The Town contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

Funding Policy: Emery Town is required to contribute a percent of covered salary to the following system: 11.09% to the Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

Emery Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 for the Noncontributory System were, respectively, \$5,987, \$5,283, and \$4,207. The contributions were equal to the required contributions for each year.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Emery Town
Notes to Required Supplementary Information
June 30, 2006

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2006, spending for the general government department exceeded appropriations by \$16,455, spending for the public safety department exceed appropriations by \$83, and spending for the parks and recreation department exceed appropriations by \$561. All other departments of the Town were within the approved budgets.

Emery Town
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**
 (Unaudited)
 For the Year Ended June 30, 2006

	Budgeted <u>Original</u>	Budgeted <u>Final</u>	<u>Actual</u>	Variance with Final Budget <u>Under (Over)</u>
Revenues				
Taxes	\$60,500	60,500	51,775	8,725
Licenses and permits	1,550	1,600	1,552	48
Intergovernmental revenues	33,100	33,112	32,871	241
Charges for services	21,900	19,400	16,297	3,103
Interest	3,700	6,300	6,667	(367)
Miscellaneous revenue	<u>39,712</u>	<u>66,712</u>	<u>22,401</u>	<u>44,311</u>
Total revenues	<u>160,462</u>	<u>187,624</u>	<u>131,565</u>	<u>56,059</u>
Expenditures				
General government	113,850	104,735	121,190	(16,455)
Public safety	6,900	6,912	6,995	(83)
Highways and public improvements	34,800	33,100	32,466	634
Parks, recreation and public property	39,800	41,177	41,738	(561)
Economic development	<u>8,400</u>	<u>1,700</u>	<u>1,647</u>	<u>553</u>
Total expenditures	<u>203,750</u>	<u>187,624</u>	<u>204,036</u>	<u>(16,412)</u>
Excess (Deficiency) of Revenues over (Under Expenditures)	<u>(43,288)</u>	<u>-</u>	<u>(72,471)</u>	<u>72,471</u>
Other Financing Sources and (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$(43,288)</u>	<u>-</u>	<u>(72,471)</u>	<u>(72,471)</u>
Fund balances - beginning of year			<u>124,136</u>	
Fund Balances - end of year			<u>\$51,665</u>	

OTHER REPORTS

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Emery Town
Emery, Utah 84522

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emery Town as and for the year ended June 30, 2006, which collectively comprise Emery Town's basic financial statements and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emery Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emery Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Emery Town in a separate letter dated November 1, 2006.

Honorable Mayor and Town Council
Emery Town
Page -2-

This report is intended solely for the information and use of management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 1, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Emery Town
Emery, Utah 84522

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emery Town, for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 1, 2006. As part of our audit, we have audited Emery Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

- C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The management of Emery Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Honorable Mayor and Town Council
Emery Town
Page -2-

In our opinion, Emery Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 1, 2006
Richfield, Utah

**EMERY TOWN
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Board
Emery Town
Emery, Utah 84522

During our audit of the funds of Emery Town for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the Town to be in compliance with state laws and regulations. We also noted a circumstance that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Fidelity Bond

Finding:

During our tests of State compliance regarding fidelity bond coverage for the Treasurer we noted the fidelity bonds were less than the amount required by State law by approximately \$6,000.

Recommendation:

We recommend that the Town increase the amount of the Treasurer's fidelity bond to meet State requirements.

Response:

We have reviewed the above finding with management and management concurred with the recommendation.

Budgetary Compliance

State law states that officers and employees of an entity shall not incur expenditures in excess of the total appropriation for any department or fund.

Finding:

For the year ended June 30, 2006, spending for the general government department exceeded budget by \$16,455, spending for the public safety department exceeded budget by \$83, and spending for the parks and recreation department exceeded budget by \$508.

Honorable Mayor and Town Board
Emery Town
Page -2-

Recommendation:

We recommend that the Town operate within the adopted budget. If anticipated expenditures are going to exceed budget the Town should hold a public hearing to increase revenues and anticipated expenditures so that the budget is not over expended.

Response:

We have reviewed the above finding with management and management concurred with the recommendation.

Fund Balances

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution, Section XIV(3).

Finding:

At the end of the fiscal year the Town had a negative fund balance in the General Fund of \$21,049.

Recommendation:

We recommend that the Town budget sufficient revenues in excess of expenditures to eliminate this deficit in the General Fund for the coming fiscal year.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Emery Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

November 1, 2006
Richfield, Utah